



Tax-Exempt Bond Credit Enhancement

Fannie Mae's Multifamily Mortgage Business provides credit enhancement for tax-exempt bonds issued to finance the acquisition, new construction, refinancing, or moderate or substantial rehabilitation of multifamily properties.

Benefits

- Low borrowing cost, "AA+" rating keeps the rates on bonds low
- Ability to provide affordable rental housing
- Flexible structures

Eligibility

- Multifamily Affordable Housing (MAH) properties with Low Income Housing Tax Credit rent restrictions
- New money issues, refundings, or credit substitutions where Fannie Mae takes the place of an existing credit enhancer without the issuance of new bonds
- Fixed-rate bonds only

Overview	
Term	10 years (15 years for new construction/substantial rehab) to 30 years.
Amortization	Up to 30 years.
Maximum LTV	The greater of 90% of market value or 80% of adjusted value for properties with LIHTC units equal to or above 90%; the greater of 85% of market value or 75% of adjusted value for all others.
Minimum DSCR	1.15x for properties with LIHTC units equal to or above 90%; 1.20x for all others.
Recourse	Non-recourse. Standard carve-outs for "bad acts" such as fraud and bankruptcy are required.
Escrows	Replacement reserve, tax and insurance escrows are typically required for higher leverage transactions.
Third-Party Reports	Standard third-party reports including Appraisal, Phase I Environmental Assessment and a Physical Needs Assessment are required.
Interest Rate	Fixed Rate.
Prepayment Options	Declining prepayment premium options are available.
Third-Party Subordinate Financing	All subordinate debt must be fully amortizing. Hard subordinate debt which requires the payment of principal is permitted only if provided by a public sector entity. For soft subordinate debt – debt service cannot exceed 75% of available cash flow.
Additional Considerations	Credit enhancement is provided in accordance with the terms of a Reimbursement Agreement between the borrower and Fannie Mae and a Credit Enhancement Instrument, among other documents.

For More Information

Contact a Fannie Mae representative or visit eFannieMae.com for details.